

# EXAMINER'S BANKING PRACTICES SURVEY

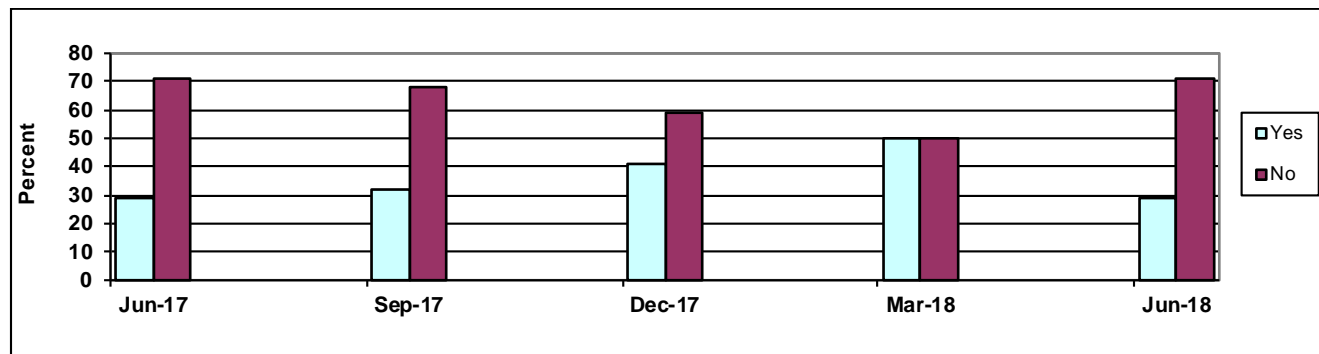
Second Quarter 2018

Division of Finance  
State of Missouri

This survey is completed by bank examiners at the conclusion of each examination. **Second Quarter 2018** results are compiled from **24** responses.

## LENDING

1. Since the last examination, has the institution significantly increased lending activity in any particular segment of the portfolio? "*Significantly*" means growth of 20% or more.



Of yes responses:

Loan Type	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
RE/Const/Land Devel	22%	22%	15%	24%	22%
RE/Agricultural	29%	7%	12%	12%	22%
RE/Commercial/Indust	14%	21%	12%	12%	14%
RE/Residential	7%	7%	19%	16%	0%
Agricultural	7%	7%	15%	16%	21%
Commercial/Industrial	14%	29%	12%	8%	7%
Consumer	7%	7%	15%	12%	14%

2. Is the institution active in making the following types of loans?

	Sep-17		Dec-17		Mar-18		Jun-18	
	Yes 4%	No 96%	Yes 10%	No 90%	Yes 0%	No 100%	Yes 12%	No 88%
Of Yes Responses-Loan type								
Sub-prime/Predatory lending	0%		0%		0%		33%	
Dealer paper	0%		100%		0%		67%	
Low or No-doc bus. lending	50%		0%		0%		0%	
High LTV home eq. lending	50%		0%		0%		0%	

3. Is the bank offering below market interest rates or reduced fees to attract loans?

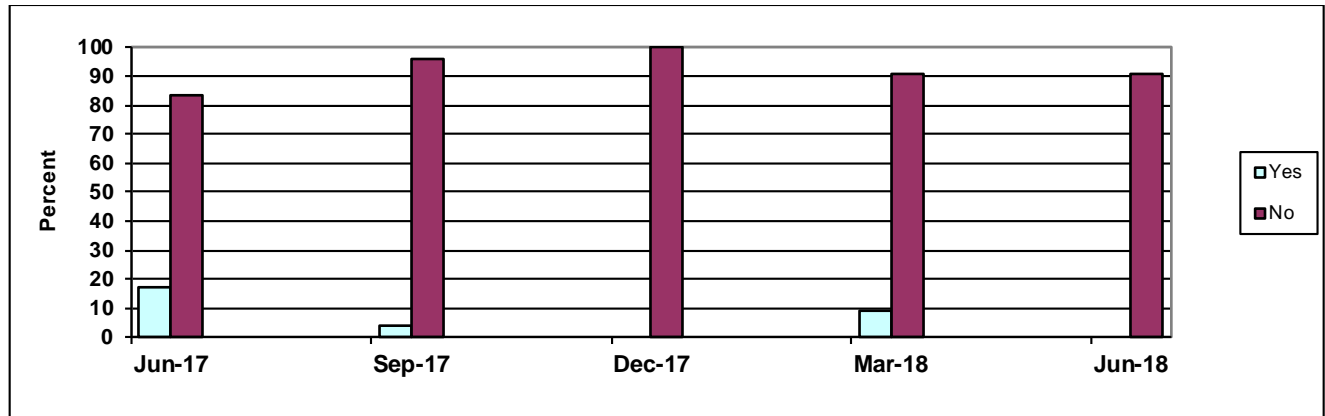
	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Yes	0%	4%	3%	0%	4%
No	100%	96%	97%	100%	96%

## Examiner's Banking Practices Survey

4. Does the institution use credit scoring models for loan decisions?

	Sep-17		Dec-17		Mar-18		Jun-18	
	Yes 4%	No 87%	Yes 19%	Yes 4%	Yes 23%	No 77%	Yes 8%	No 92%
Of Yes Responses - Loan type								
Credit card	17%		50%		10%		25%	
Consumer	42%		50%		40%		50%	
Residential mortgage	33%		0%		40%		25%	
Small business	8%		0%		10%		0%	
Other	0%		0%		0%		0%	

5. Are there indications the bank is incurring "more-than-normal" risk to boost new loans?



Of yes responses:

	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Making collateral based loans?	30%	50%	0%	0%	0%
Reduced collateral margins?	10%	0%	0%	0%	0%
Not requiring cash flow projections?	30%	50%	0%	0%	0%
Liberal repayment terms? (reduced debt service ratios; interest only; deferred, extended, balloon or negative amortization payments)	20%	0%	0%	0%	0%
Waiving guarantees or other documentation?	0%	0%	0%	0%	0%
Other	10%	0%	0%	100%	0%

6. Describe potential risk in current underwriting practices for:

	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Agricultural Loans					
Minimal	75%	92%	93%	91%	79%
Moderate	25%	4%	7%	9%	21%
Substantial	0%	4%	0%	0%	0%
Commercial Loans					
Minimal	79%	80%	83%	82%	92%
Moderate	21%	20%	17%	18%	8%
Substantial	0%	0%	0%	0%	0%
Consumer Loans					
Minimal	83%	88%	97%	100%	96%
Moderate	17%	12%	3%	0%	0%
Substantial	0%	0%	0%	0%	4%
Residential Loans					
Minimal	87%	88%	93%	91%	96%
Moderate	13%	12%	7%	9%	0%
Substantial	0%	0%	0%	0%	4%

7. Differences between actual lending practices and written policies are:

# Examiner's Banking Practices Survey

	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
<b>Agricultural Loans</b>					
Minimal	88%	92%	93%	96%	92%
Moderate	12%	4%	7%	4%	8%
Substantial	0%	4%	0%	0%	0%
<b>Commercial Loans</b>					
Minimal	88%	84%	97%	91%	88%
Moderate	12%	12%	3%	9%	8%
Substantial	0%	4%	0%	0%	4%
<b>Consumer Loans</b>					
Minimal	88%	96%	100%	100%	96%
Moderate	12%	0%	0%	0%	0%
Substantial	0%	4%	0%	0%	4%
<b>Residential Loans</b>					
Minimal	88%	96%	100%	96%	96%
Moderate	12%	0%	0%	4%	0%
Substantial	0%	4%	0%	0%	4%

8. With regard to agricultural loans, describe the potential risk the bank faces from:

	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
<b>Carryover Debt</b>					
Minimal	79%	84%	90%	100%	79%
Moderate	21%	16%	10%	0%	21%
Substantial	0%	0%	0%	0%	0%
<b>Phase-out of Farm Subsidies</b>					
Minimal	96%	92%	97%	96%	96%
Moderate	4%	8%	3%	4%	4%
Substantial	0%	0%	0%	0%	0%
<b>Drop in Land Values</b>					
Minimal	88%	88%	86%	96%	79%
Moderate	12%	12%	14%	4%	21%
Substantial	0%	0%	0%	0%	0%

9. Has the ratio of Total Adversely Classified Items/Tier 1 Capital & ALLL increased (+) or decreased (-) since the prior examination?

	Sep-17		Dec-17		Mar-18		Jun-18	
No. Banks with Inc/(Dec) in ratio (%)	+ 32%	- 68%	+ 35%	- 65%	+ 59%	- 41%	+ 33%	- 67%
Average Inc/(Dec) in Ratio	4.8	(6.7)	5.9	(9.8)	7.3	(18.1)	6.1	(7.4)
<b>Cause of Increase</b>								
Eased underwriting standards	0%		0%		6%		9%	
Deterioration in new loans	0%		0%		0%		9%	
Deterioration in older loans	78%		75%		70%		73%	
Participations or out-of-territory	0%		0%		0%		0%	
Economic conditions	11%		8%		0%		0%	
Changes in lending personnel	0%		0%		6%		0%	
New types of lending activity	0%		0%		6%		0%	
Other	11%		17%		12%		9%	

10. Estimate loan classifications at this examination into the following types:

Loan Type	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
RE/Const/Land Development	3%	8%	14%	6%	27%
RE/Agriculture	9%	5%	8%	6%	9%
RE/Commercial/Industrial	38%	25%	42%	41%	28%
RE/Residential	19%	13%	19%	15%	18%
Agricultural	12%	1%	3%	9%	4%
Commercial/Industrial	17%	46%	5%	20%	9%
Consumer	2%	2%	9%	3%	5%

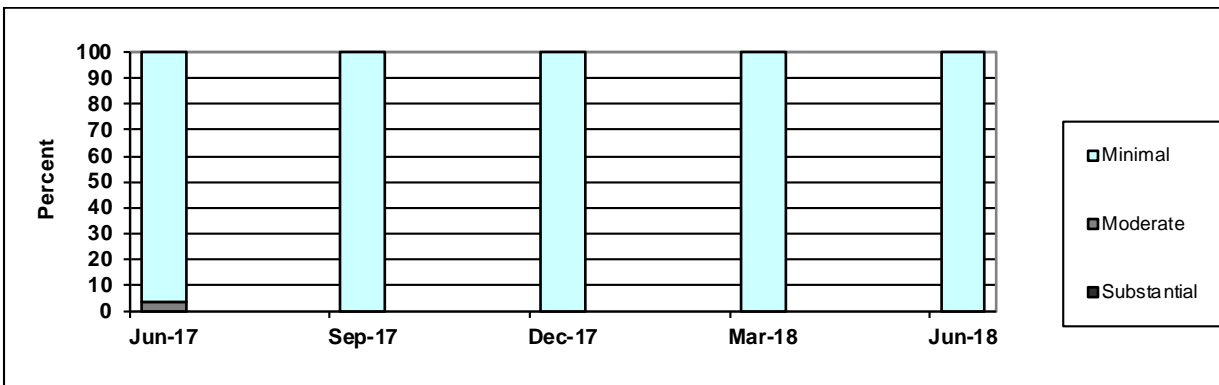
## INVESTMENTS

## Examiner's Banking Practices Survey

11. Since the last examination, has the institution purchased securities without understanding the characteristics of the issue?

	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Yes	0%	0%	0%	0%	0%
No	100%	100%	100%	100%	100%

12. Differences between actual investment practices and written policies are:



## OTHER

13. Has the bank established a borrowing line with FHLB?

	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Yes	92%	92%	97%	96%	88%
No	8%	8%	3%	4%	12%
If yes, does the bank actively borrow from the FHLB?					
Yes	58%	57%	71%	48%	67%
No	42%	43%	29%	52%	33%

14. Does the bank hold off-balance sheet derivatives?

	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Yes	8%	21%	14%	0%	21%
No	92%	79%	86%	100%	79%

15. List nontraditional activity the institution is engaged in.

	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Yes	92%	88%	97%	86%	100%
No	8%	12%	3%	14%	0%
Of those that do:					
Nondeposit Investment Sales	18%	41%	54%	26%	29%
Insurance Sales	23%	23%	25%	5%	29%
Real Estate Loan Secondary Market Sales	64%	64%	68%	63%	54%
Non-transactional Web Site	0%	5%	0%	0%	8%
Transactional Web Site	96%	91%	100%	84%	71%
Other	0%	14%	4%	5%	13%